

Message Text

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12

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 AID-20 COME-00 TRSE-00 AGR-20

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DEPT PASS AGRICULTURE

E. O. 11652: N/A

TAGS: EAID, PK

SUBJECT: BARLEY EXPORTS, PL-480 COMPLIANCE

REF: STATE 132135

SUMMARY: MISSION OFFICERS DISCUSSED BARLEY EXPORT PROBLEM ALONG LINES OF REFTEL WITH EAD JOINT SECRETARY M.I.K. KHALIL WHO WAS INFORMED WASHINGTON DECISION HAD BEEN REACHED THAT TO MEET REQUIREMENTS US LAW, GOP MUST PAY CASH TO USG EQUAL TO VALUE OR VOLUME OF EXPORTS OF BARLEY MADE AFTER 2 NOVEMBER IN VIOLATION SORGHUM SALES AGREEMENT TERMS. MISSION OFFICERS POINTED OUT POSSIBLE ADVANTAGES TO GOP OF CONVERSION WHOLE TRANSACTION TO CASH PURCHASE IF WASHINGTON COULD AGREE TO THIS. KHALIL WAS DISMAYED THAT US WOULD EXACT PENALTY AND REQUESTED LETTER STATING OUR PROPOSALS. END SUMMARY.

1. IN ABSENCE OF EAD SECRETARY AFTAB AHMAD KHAN, USAID AND EMB OFFICERS MET JUNE 25 WITH M.I.K. KHALIL, EAD JOINT SECRETARY TO DISCUSS SUBSTANCE REFTEL. KHALIL VISIBLY DISAPPOINTED THAT NO MOVE FAVORABLE SOLUTION TO BARLEY EXPORT PROBLEM COULD BE OFFERED GOP THAN THAT GOP WOULD BE OBLIGED MAKE DOLLAR PAYMENT FOR SORGHUM EQUAL IN VOLUME OF BARLEY SHIPMENTS MADE AFTER 2 NOVEMBER IN VIOLATION OF SALES AGREEMENT.

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NOVEMBER IN VIOLATION OF SALES AGREEMENT.

2. USG REPS MADE CLEAR THAT CONVERSION OF PART OF PL-480 SORGHUM SALE TO CASH PURCHASE WOULD NOT AVOID CONTINUING EXPORT BAN ON FEEDGRAINS THROUGH FY 75 SINCE SORGHUM WILL NOT HAVE BEEN UTILIZED BEFORE END FY 74. IT WAS POINTED OUT THAT UTILIZATION I.E. BLENDING 40,000 MT SORGHUM WITH WHEAT AT FIVE PERCENT MIX, WOULD REQUIRE FIVE MORE MONTHS AT CURRENT RATES OF RATION SHOP DISTRIBUTION OF 160,000 MT PER MONTH. THUS IT WAS OBVIOUS TO BOTH SIDES THAT UTILIZATION OF SORGHUM BY END OF EXPORT LIMITATION PERIOD (JUNE 30) WOULD BE IMPOSSIBLE.

3. IN VIEW OF THIS CONTINUED BARLEY EXPORT BAN, KHALIL WAS ASKED INFORMALLY IF GOP MIGHT NOT PREFER ALTERNATIVE OF CONVERTING WHOLE \$4,092,576.77 (CCC FINANCING OF THE SORGHUM) TO CASH PURCHASE, THUS SCRUBBING TITLE I SORGHUM SALE. ALTHOUGH THIS WOULD REQUIRE WASHINGTON APPROVAL, USG REPS SUGGESTED THAT THIS WOULD HAVE ADVANTAGES TO GOP OF ENDING BARLEY EXPORT LIMITATIONS, WOULD REMOVE NECESSITY OF DETERMINING ACUTAL POST-NOVEMBER 2 BARLEY SHIPMENT, AND ENABLE GOP UTILIZE SORGHUM FOR WHATEVER PURPOSES IT CHOSE AND WITHIN ITS OWN TIME FRAME. KHALIL SEEMED TO SEE THIS ALTERNATIVE AS MORE ADVANTAGEOUS THAN PARTIAL CASH PAYMENT WITH BARLEY EXPORT BAN CONTINUING.

4. DURING MEETING US REPS SENSED THAT, DESPITE OUR PRIOR WARNINGS OF POSSIBLE PENALTIES, KHALIL HAD PREVIOUSLY BEEN LABORING UNDER IMPRESSION THAT USG WOULD FORGIVE TRANSGRESSIONS. OUR DEMARCHE EVOKED A SENSE OF DISBELIEF AND US REPS FOUND IT DIFFICULT TO GET KHALIL TO FOCUS ON SUCH GERMANE MATTERS AS RECONCILING CERTAIN POST NOVEMBER 2 BARLEY SHIPMENTS OF WHICH MISSION IS REASONABLY SURE HAVE NOT BEEN REPORTED TO US BY GOP. SHIPMENTS IN EXCESS OF 20,000 MT OR MORE MAY HAVE BEEN INVOLVED VERSUS GOP CLAIM OF LESS THAN 10,000 MT.

5. AT END MEETING, KHALIL REQUESTED USG REPS PRESENT GOP WITH LETTER OUTLINING OUR POSITION AND ALTERNATIVES. US REPS AGREED TO DO THIS AND WE PLAN PROCEED TO OFFER THEM, PER INSTRUCTIONS REFTTEL, CASH PURCHASE OF SORGHUM EQUIVALENT TO VALUE OR BOLUVE OF BARLEY EXPORTS ON WHICH WE MUST AGREE, OR, AS ALTERNATIVE, TOTAL CONVERSION OF TITLE I SALE TO CAHS.

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6. ADVISE ASAP WHETHER OUR OFFERING ALTERNATIVE OF GOP CONVERTING TITLE I SALE TO TOTAL CASH SALE IS ACCEPTABLE.
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